

Message Text

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ACTION EB-07

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FM AMEMBASSY RABAT

TO SECSTATE WASHDC PRIORITY 7644

INFO AMCONSUL CASABLANCA

C O N F I D E N T I A L RABAT 0709

E.O. 11652: GDS

TAGS: EINV ENRG MO

SUBJECT: ESSO MAROC REQUISITION: LATEST EXCHANGE

REF: RABAT 464, RABAT 627

1. FOLLOWING FEB 6 MEETING WITH MINCOM GHISSASSI, ESSO REP JOHN ROOT VISITED EMBASSY TO REPORT ON MEETING RESULTS. ROOT REPORTED THAT MINISTER GREETED HIM WARMLY, SAYING GOM WISHES TO SETTLE PROBLEM AS QUICKLY AS POSSIBLE. ROOT RECIPROCATED, ASSURING MINCOM THAT ESSO TOO HOPES FOR EARLY SETTLEMENT.

2. FORMALITIES OVER, MINCOM READ "NEW" ESSO PROPOSAL (COPY MEMCON AND ESSO PROPOSAL POUCHED). UPON CONCLUSION, COMMENTED THAT ONLY NEW ELEMENT WAS ESSO'S FORMALLY EXPRESSED WILLINGNESS TO BRING INTO NEGOTIATIONS ANOTHER OIL COMPANY AS PROSPECTIVE PARTNER--SOMETHING GOM HAD ALREADY AGREED TO ORALLY. MINISTER NOTED THAT QUESTIONS OF VALUATION, REPARTITION OF PAST PROFITS, EXCHANGE RATE GUARANTEE, ETC., REMAIN AS BEFORE. ROOT INFORMED ECOUN HE CAREFULLY REVIEWED EACH ITEM WITH MINISTER TO MAKE SURE HE FULLY AWARE OF PAST ESSO CONCESSIONS, FINDING HIM WELL-BRIEFED. GHISSASSI REPEATED NOW FAMILIAR ARGUMENT THAT VALUE OF 100 PERCENT OF COMPANY WITHOUT TRADE MARK NOT EQUIVALENT TO TWO TIMES 50 PERCENT OF COMPANY WITH TRADE MARK. MINISTER SUGGESTED THAT IF ESSO FOUND PREVIOUS SNPP OFFER

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DISCOUNTED VALUE OF TRADE MARK TOO HEAVILY, GOM PREPARED

CONSIDER COUNTER OFFER.

3. ROOT REPLIED THAT CAPITAL VALUE OF LOCAL OPERATIONS HAD ALREADY BEEN REDUCED IN PREVIOUS NEGOTIATIONS TO ROCK BOTTOM. HE WOULD REPORT MINISTER'S COMMENT TO SUPERIORS IN LONDON, BUT DOUBTED ESSO INCLINED GO BELOW BOOK VALUE FIGURE AGREED ON AT TIME 50 PERCENT SALE UNDER DISCUSSIONS. EXPECTED TO RETURN IN MARCH AND WOULD GIVE FORMAL RESPONSE THEN.

4. FOR HIS PART, MINCOM SAID THAT WHILE HE DOUBTED LEGALIOV OF EXCHANGE GUARANTEE ON BLOCKED PORTION PROCEEDS OF SALE, HE WOULD AGAIN LOOK INTO MATTER. WOULD ALSO ASK SNPP PRESIDENT DOUIEB TO PROSPECT ACTIVELY FOR ANOTHER OIL COMPANY TO BUY OUT ESSO INTEREST.

5. IN SUM, NO NEW GROUND BROKEN AND NO MATERIAL PROGRESS EVIDENT AS RESULT OF ROOT TRIP. MEETING TOOK PLACE IN IMPROVED ATMOSPHERE, HOWEVER, AND IF SNPP COMES UP WITH INTERESTED COMPANY, SOMETHING COULD BEGIN HAPPENING IN MARCH. ROOT AGREED THAT EMBASSY SHOULD CONTINUE TO STAND ASIDE FOR PRESENT, ACCEPTING DEPOLITICIZATION LINE REPORTED RABAT 464.

6. COMMENT: ECOUN GAINED IMPRESSION THAT ESSO FEELS GOM IS EXPERIENCING SUCH PROBLEMS ATTRACTING FOREIGN INVESTMENT, AND JUDGES THAT FOREIGN BORROWING SITUATION SUFFICIENTLY TICKLISH--IN PART AS RESULT NEGATIVE CLIMATE SURROUNDING ESSO PROBLEM--THAT MINISTER IS UNDER SOME INTERNAL PRESSURE TO IMPROVE HIS TERMS AND WIND UP DISPUTE. HAVING TAKEN INITIATIVE TO MAKE FIRST APPROACH FOLLOWING LAST BREAKDOWN IN TALKS, ESSO APPEARS PREPARED TO WAIT FOR GOM CONCESSION. BASED ON SENSE OF DAWNING GOM AWARENESS OF INTERRELATEDNESS OF HARD-CORE COMMERCIAL PROBLEMS AND EXTERNAL FINANCING NEEDS, WE BELIEVE ESSO STRATEGY MAY BE JUSTIFIED MUCH AS WE'D LIKE MORE FLEXIBILITY ON BOTH SIDES. IN ANY EVENT, BELIEVE LIMITED AGREEMENT TO REVIEW PAST DEMANDS, WITH PROMISE OF MARCH MEETING FOR MORE FORMAL REVIEW OF BIDDING, JUSTIFIES PROVISIONAL FINDING THAT GOM REMAINS ELIGIBLE FOR GSP AND OTHER U.S. LEGISLATIVE BENEFITS INsofar AS AFFECTED BY REQUISITIONING OF ESSO-MAROC OPERATIONS.

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